

9/19/77 [2]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo	<p>From Young to The President (1 page) re: Weekly Summary of US Mission to the UN/enclosed in Hutcheson to Cabinet members 9/19/77</p> <p><i>opened 6/1/92</i></p>	9/16/77	A

FILE LOCATION

Carter Presidential Papers- Staff Offices, Office of the Staff Sec. - Pres.
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TO: President Carter
THROUGH: Jack Watson
FROM: USUN - Ambassador Young
SUBJECT: Weekly Summary of U.S. Mission to the U.N. Activities
September 8 - 16

September 16, 1977

1. CYPRUS IN THE SECURITY COUNCIL: A resolution was adopted Sept. 15 without vote expressing concern at recent developments in Cyprus and indirectly referring to the seeming attempt by the Turks to colonize the new Famagusta area. The Turkish Ambassador remarked that this resolution could require "a new agreed framework" for the Cyprus negotiations. The Greeks are satisfied that the resolution achieved their objectives.

2. RHODESIA IN THE SECURITY COUNCIL: The present plan is to have the Security Council meet soon to authorize the appointment of a representative of the Secretary General to participate in practical ceasefire discussions. The U.S. and UK are consulting in New York and in capitals with the influential Africans as well as members of the Security Council to ensure positive Security Council action.

3. THE RESUMED 31ST GENERAL ASSEMBLY, SEPT. 13-16: This session is considering the results of the Conference on International Economic Cooperation (CIEC). Amb. Young made the U.S. plenary statement which stressed the need for flexibility in order to achieve a consensus on the promotion of a new and equitable international economic order. We are offering several amendments to a draft proposed by the Group of 77 and expect a consensus to be reached.

4. NAMIBIA: The Group of Five have reviewed the preliminary contingency planning for the UN role prepared by the UN Secretariat and have concluded that the plans for civilian questions are generally compatible with our ideas. The plans for a UN peacekeeping force are, however, in excess of what we believe are politically or financially feasible. Amb. McHenry will meet with Waldheim on Monday to review UN planning. We will have another round of talks with the South Africans on Sept. 22-23 followed by talks with SWAPO. These talks will focus on the withdrawal of South African forces and the insertion of the UN peacekeeping force.

5. THE UN DECOLONIZATION COMMITTEE CONSIDERS THE REPORT OF THE UN VISITING MISSION TO THE U.S. VIRGIN ISLANDS: On the whole, the report was accurate and balanced. The report and the fact of the visiting mission itself are expected to have a positive impact on the discussion of U.S. territories in the General Assembly.

6. HUMAN RIGHTS: The proposal to create a High Commissioner for Human Rights is getting a generally positive response from the Africans, but it still appears unlikely to be approved by this General Assembly. The various Western countries with proposals for anti-terrorist resolutions are attempting to harmonize them into one draft.

7. AMB. YOUNG'S OTHER MEETINGS: Lane Kirkland, AFL/CIO 9/12; new Argentine UN Ambassador Ros 9/13; new Danish UN Ambassador Ulrichsen 9/13; new Botswana UN Ambassador Tlou 9/14; new Honduran UN Ambassador Carias 9/14. SPEAKING ENGAGEMENTS: UNA Association, San Francisco 9/9; Non-Governmental Organizations Leadership Conference, Los Angeles 9/10; State Department Open Forum 9/12; United Negro Scholarship Fund, Washington, D. C. 9/12.

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PER 4/12/77
BY [Signature] NARS, DATE 4/11/77
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THE WHITE HOUSE
WASHINGTON

September 19, 1977

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jack Watson
Bert Lance
Charlie Schultze

RE: CRISIS IN BLACK YOUTH
UNEMPLOYMENT

THE WHITE HOUSE

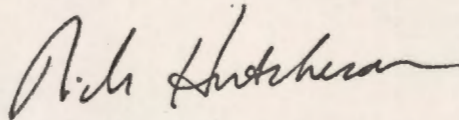
WASHINGTON

19 September 1977

MEMORANDUM FOR

THE HONORABLE SAMUEL WINFRED BROWN, JR.
Director of the ACTION Agency

The President read your memorandum of September 8, 1977, "Crisis in Black Youth Unemployment," and decided that he would like ACTION to meet with the Domestic Policy Staff, CEA, OMB and the Department of Labor to discuss this proposal further. Stu Eizenstat will be contacting you in this regard.



Rick Hutcheson
Staff Secretary

cc: Stu Eizenstat

THE WHITE HOUSE
WASHINGTON

The President read your memorandum of September 8, 1977, "Crisis in Black Youth Unemployment," and decided that he would like ACTION to meet with the Domestic Policy Staff, CEA, OMB and the Department of Labor to discuss this proposal further. Stu Eizenstat will be contacting you in this regard.

cc: Stu Eizenstat.

THE WHITE HOUSE
WASHINGTON

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ACTION
FYI

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<input checked="" type="checkbox"/>	WATSON
<input checked="" type="checkbox"/>	LANCE
<input checked="" type="checkbox"/>	SCHULTZE

*send attached news to
Sam Brown*

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Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

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OFFICE OF
THE DIRECTOR

ACTION

WASHINGTON, D.C. 20525

*Stu -
Contact Sam -
Proceed to
analysis
JC*

MEMORANDUM

September 8, 1977

TO: The President
FROM: Sam Brown
SUBJECT: Crisis in Black Youth Unemployment

I propose a direct approach to the problem of black youth unemployment: test a National Youth Service by offering a job to every 16-19 year old who is looking for work in five large and five medium sized cities. While a dramatic proposal such as this is not the whole answer, I believe it should be part of the Administration's overall package.

The project would have two components--major cities and medium cities. Major cities over 400,000 population could include: Baltimore, Detroit, Newark, Philadelphia and Washington, D. C. Medium-size cities between 250,000 and 400,000 could include: Jersey City, El Paso, New Orleans, Allentown and Buffalo.

In each of the ten cities every registered unemployed young person could be offered a community service placement. The young people would be paid \$2.65, the proposed minimum wage, and would serve for one year. The projects would be run locally by new non-profit organizations that would include on their boards representatives from the Urban League, City Hall, young people, etc.

ASSUMPTIONS

First, I would like to suggest this problem is more tractable than it appears when aggregate data are used. When the Washington Post or the New York Times or the Department of Labor speak in terms of 421,000 unemployed young black people and a 40.4% unemployment rate the problem appears insurmountable. However, Baltimore, the seventh largest city in the country has 6,000 registered unemployed black youths 16-19; Philadelphia, the fourth largest, has 8,000 registered

unemployed young blacks.

Second, often those of us in the bureaucracy, even those who are political appointees, become the victims of our jobs. Frankly, I have been disappointed in the proposals which I am told you will get from other agencies on this critical problem. I think it is important to tie whatever is done to a long-term policy innovation that will capture some national attention. The package should be seen as a first practical step to a more comprehensive solution. People outside the bureaucracy need to be consulted. Some suggestions include Peter Edelman, Isabelle Sawhill, William Ross and Vernon Alden.

Third, to ensure long-term political and programmatic success the program must be universal. Whatever program is created, it should be open to all unemployed young people.

POLICY TEST

Part of the reason I have confidence in this approach is that two months ago we approached the Department of Labor about setting up a similar project in only one city. After initial caution, they have become very enthusiastic and have committed \$10 million from the Youth Unemployment Act. What we proposed, specifically, was to offer every unemployed young person the opportunity to serve as a VISTA-type, paid volunteer. This model is now ready to be tested by DOL and ACTION in one community and could be extended to nine other cities.

After initial skepticism about a national youth service, I now favor a policy of national youth service that would enroll 1 million unemployed young people every year. The National Youth Service concept is built on the notion that every young person should have the opportunity to serve. It would differ from existing manpower programs in that:

1. It is based on the concept of community services that need to be done, not on the concept of young people who need jobs.
2. It assigns people to innovative social services like block-watch crime prevention, neighborhood associations, home-care corporations, primary health care, etc.
3. It is non-stigmatizing since it is open to all

unemployed young people.

4. It is not administered by existing CETA organizations.
5. It offers young people a choice of assignments.
6. It is tied to a major national policy proposal - National Youth Service.

COST

The major city component would cost \$237 million for 5 cities and the medium-size city component would cost \$118 million. The total cost is \$355 million.

While I would be very enthusiastic about undertaking this project, I do not think our Agency with a \$190 million current budget can mount a \$355 million pilot program. I think we could successfully execute and manage the \$118 million medium-size component. Perhaps, the Department of Labor could run the major city component if they were permitted to do so outside of the existing CETA structure.

I would be happy to provide more details or to work with any group you put together on this problem.

YOUTH SERVICE PROGRAM*
5 MAJOR CITIES

City	Population	# unemployed youth (16-19)	cost in millions
Baltimore	620,000	8,000	\$34.8
Detroit	913,000	13,000	56.55
**Newark	1,453,000	13,000	56.55
Philadelphia	1,353,000	14,000	60.9
**Washington	2,127,000	20,000	87.0
		<u>68,000</u>	<u>\$236.6 million***</u>

5 MEDIUM CITIES

City	Population	# unemployed youth (16-19)	cost in millions
Jersey City	255,000	5,300	\$18.4
El Paso	353,000	5,000	17.4
New Orleans	593,000	6,700	23.3
Allentown, Pa.	297,000	3,800	13.2
Buffalo	425,000	13,000	45.2
	<u>1,837,000</u>	<u>33,850</u>	<u>\$117.5 million***</u>

* Data obtained from BLS: Labor Force Status of Civilian Population
16 years and Over in 30 Large SMSA's/10 CITIES (1976 Annual Averages).
Data has questionable reliability due to BLS sampling and formula
factoring policies.

** SMSA.

*** Cost using ACTION Youth Service model: \$5800/person x # unemployed
youth x .60 (job acceptance factor). Includes support/admin. costs.

THE WHITE HOUSE

WASHINGTON

September 17, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
SUBJECT: ACTION National Youth Service Proposal

ACTION proposes a \$354 million proposal to guarantee jobs to all youth 16-19 seeking work in 10 cities, an estimated 101,850 young workers.

We agree with Ray Marshall that this proposal raises a number of serious questions.

At the request of the EPG, my staff is working with CEA and OMB in a careful analysis of our options for dealing with youth unemployment. The ACTION proposals will be included in that analysis.

Difficulties with the ACTION proposal include the following:

1. It provides guaranteed federally funded jobs to middle class and wealthy as well as needy young people, and may therefore, be inadequately targetted.
2. It proposes creating these jobs outside the CETA system, raising the need to design a new, overlapping (and as yet undeveloped) administrative structure.
3. Costs may be seriously underestimated because:
 - Only \$300 per job has been estimated for overhead, and
 - Sam's emphasis on the number of registered unemployed fails to recognize the much greater number who are not registered. The number of candidates may have been seriously underestimated because guaranteed jobs might well draw hundreds of thousands of young people into the labor force who are presently in school or are not now looking.

4. The basic concept -- as Action states in its memo -- is being tested out now, on a \$10 million basis, as part of the Administration Youth Initiatives.

5. In view of the limited success of VISTA, I would be reluctant to make a major commitment to universal youth service at this time.

6. Such a job guarantee, funded by the federal government, would be inconsistent with the negotiating position we are taking on the Humphrey-Hawkins bill, against the federal government as the employer of last resort.

RECOMMENDATION

I recommend that my staff, Labor, CEA and OMB meet to discuss this proposal with ACTION and that you consider youth employment options as part of your Urban Policy review this Fall.

ok
J

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ADDITIONAL STAFF COMMENTS

1. OMB: Suggests that ACTION's proposal be considered in the Fall budget review, and observes that ACTION ranked this program last in its FY 1979 budget request. OMB says that the concept behind the proposal was tested by ACTION in Seattle in 1973-74 under the name, "Program for Local Service." "That program had difficulty in recruiting participants and mixed success with those finally enrolling."
2. SCHULTZE: The proposed demonstration projects overlap with a similar project under the Youth Employment and Demonstration Projects Act (YEDPA) that will be underway by January, 1978.

It is possible that we have reached the saturation point in terms of the potential of PSE to solve structural unemployment problems. CEA is evaluating ACTION's proposal in its report on Issues in Youth Unemployment, which will be available by October 3.

3. SECRETARY MARSHALL: Observes that ACTION has been supporting this proposal for some time. DOL's chief objection is that the proposal is not targeted on the unemployment problems of those most adversely affected; non-needy youths could participate. The Administration's urban policy task force is exploring various proposals; in the meantime, YEDPA is an excellent vehicle for experimenting with new approaches.
4. WATSON: Supports Sam Brown's idea, and would expand the approach to 10 cities instead of 5. Finds Marshall's objections unpersuasive; the program must be targeted at the cities if it is to reach unemployed black youth.

THE WHITE HOUSE

WASHINGTON

Date: September 10, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat

Jack Watson *attached*

Bert Lance *will convene attached*

Charlie Schultze *attached*

Joe Aragon *attached*

FOR INFORMATION:

The Vice President

Midge Costanza

Bunny Mitchell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Brown memo dated 9/8/77 re Crisis in Black Youth
Unemployment.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 11:00 AM

DAY: Tuesday

DATE: September 13, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

—
THE WHITE HOUSE
WASHINGTON

Rick —
The Esjuntat Shop
pushed a bit of paper

osunE

THE WHITE HOUSE

WASHINGTON

Date: September 12, 1977

MEMORANDUM

FOR ACTION:
Secretary Marshall

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Sam Brown memo dated 9/8/77 re Crisis In Black Youth
Unemployment

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Wednesday

DATE: September 14, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

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Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

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<input type="checkbox"/>	WARREN

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson
Larry Bailey

September 16, 1977

RE:

Sam Brown's Memorandum on Black Youth
Unemployment

We support Sam's idea of a concentrated attack on a select number of cities--and would even go further. If ten rather than five cities were targeted, 40% of Black unemployment might be eliminated and a substantial amount of Mexican-Americans would also be reached.

We have read Ray's objections and find them unpersuasive. You need to address your program specifically to the cities if you want to reach Black youth. To suggest that this approach would "discriminate against youth living in small towns and rural areas" completely misses the point. We are not worried about reaching "non-needy youth." Sam talks about aiding only registered unemployed Black youths, and safeguards can be built in to avoid any kind of fraud. You can anticipate considerable opposition from organized labor and from municipal officials who may argue that Sam's proposal threatens union trade workers currently employed. Moreover, CETA's prime sponsors will argue that this is another categorical program and should be brought under their jurisdiction. We believe that you should resist these arguments--pointing out that, in this case, organized labor has been part of the problem.

Clearly, reducing Black unemployment is the highest priority for the Black interest groups. Sam's innovative suggestion is a very important one and should be pursued.

Date: September 12, 1977

MEMORANDUM

FOR ACTION:
Secretary Marshall

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Sam Brown memo dated 9/8/77 re Crisis In Black Youth Unemployment

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOONDAY: WednesdayDATE: September 14, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.☐ No comment.*Please note other comments below:*

The proposed program by Sam Brown represents a proposal which ACTION has been supporting for some time.

I have a number of reservations about this proposal. The ACTION program is nontargeted and would as a pilot discriminate against youth living in small towns and rural areas. Our analysis of the problem indicates that (1) most serious youth unemployment is clearly associated with identifiable subgroups and (2) as a matter of prudent public policy, limited resources should be targeted on the unemployment problems of those most adversely affected. Sam Brown's illustrative numbers demonstrate that the problem becomes less awesome and potentially manageable when the data is disaggregated.

There is the danger that the ACTION proposal, in its "universality", could attract college dropouts, middle-class youth "between jobs", and other non-needy youth who wish to briefly participate in the labor force. Valuable resources could be dissipated, without impacting on the chronic

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If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

WASHINGTON
Date: September 12, 1977

MEMORANDUM

FOR ACTION:
Secretary Marshall

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Sam Brown memo dated 9/8/77 re Crisis In Black Youth
Unemployment

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Wednesday

DATE: September 14, 1977

ACTION REQUESTED:

X Your comments

Other:

STAFF RESPONSE:

 I concur.

 No comment.

Please note other comments below:

The proposed program by Sam Brown represents a proposal which ACTION has been supporting for some time.

I have a number of reservations about this proposal. The ACTION program is nontargeted and would as a pilot discriminate against youth living in small towns and rural areas. Our analysis of the problem indicates that (1) most serious youth unemployment is clearly associated with identifiable subgroups and (2) as a matter of prudent public policy, limited resources should be targeted on the unemployment problems of those most adversely affected. Sam Brown's illustrative numbers demonstrate that the problem becomes less awesome and potentially manageable when the data is disaggregated.

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youth problem.

ACTION's objective is to build toward a voluntary, universal National Youth Service. This may serve other social objectives, such as building citizenship, but it is not necessarily the most effective approach to the youth unemployment problem.

I think that the Youth Employment and Demonstration Project Act of 1977 is an excellent vehicle for both targeting on those youth most in need and experimenting with new approaches. I don't mean to suggest that additional measures cannot be taken but in the short term, I think existing legislation and institutions will be the most effective. Other measures will be presented as part of the Administration's urban policy package and the review of the current economic situation.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 13, 1977

MEMORANDUM TO THE PRESIDENT

FROM: CHARLIE SCHULTZE *CLS*

SUBJECT: The Proposal to Test a National Youth Service

This memorandum is in response to the proposal by Sam Brown of ACTION to test a National Youth Service program by offering a job to every 16-19 year old who is looking for work in five large and five medium cities.

It is very clear that the problem of youth unemployment (especially minority youth unemployment) is extremely serious. The ACTION proposal, however, is premature and needs to be coordinated with other efforts now underway.

1. The proposed demonstration projects under this proposal overlap with a similar project under the Youth Employment and Demonstration Projects Act (YEDPA) that will be under way by January, 1978. The YEDPA project has been carefully conceived and will allow us to evaluate the effectiveness of alternative approaches.
2. It is quite possible that we have reached the saturation point in terms of the potential of PSE to solve structural unemployment problems. During FY 1978 the number of full-year PSE slots under all the various federal programs will increase from 850,000 to 1,260,000, and another major increase is scheduled as a component of welfare reform. It would be a very bad situation if a maze of overlapping programs were forced to compete among themselves for tasks to be performed in local communities.

3. In addition to the need for coordination of PSE programs, we must consider alternative policies designed to alleviate the problem of minority youth unemployment. To this end a report you requested on Issues in Youth Unemployment will be available by October 3. In addition to an analysis of the causes of the problem, the report will contain an inventory of current programs and a set of policy options to increase our efforts in this area.

I recommend that the ACTION proposal be evaluated as part of the October 3 report referred to above.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 15, 1977

MEMORANDUM TO: RICK HUTCHESON
Staff Secretary, W.H.
THROUGH: W. Bowman Cutter *WBC*
FROM: Suzanne H. Woolsey *SW*
Associate Director for
Human and Community Affairs
SUBJECT: ACTION proposal on Black Youth
Unemployment

ACTION Director Sam Brown has proposed a test of a National Youth Service program as one way of addressing the high unemployment rate among teenage blacks. This proposal would involve offering a one-year "community service placement" paying the proposed minimum wage (\$2.65) to all registered unemployed youths age 16 to 19 in five major cities (population of 400,000 or more) and five medium-size cities (population between 250,000 and 400,000). The projects would be run locally outside current employment and training delivery systems by newly formed non-profit organizations. The total cost of the program would be \$355 million in FY 1978 and would serve approximately 100,000 youths.

ACTION notes that it is currently negotiating with the Department of Labor for a \$10 million grant to test the identical program in one city. The concept behind the proposal has been previously tested by ACTION in 1973-74 in Seattle under the name Program for Local Service. That program had difficulty recruiting participants and mixed success with those finally enrolling.

As you know, the Administration has already committed some \$2.2 billion in FY 1978 for Public Service Employment programs to serve approximately 1.5 million youths.

Because the ACTION model is not tested and because each proposal to address this crucial problem deserves to be evaluated in tandem with other ongoing and proposed Federal programs, I suggest that ACTION's proposal be considered this fall through the normal budgetary process. ACTION has proposed an identical \$500 million program in its FY 1979 budget request; however, the agency ranked this proposal last of all its requests.

THE WHITE HOUSE

WASHINGTON

September 13, 1977

MEMORANDUM TO THE PRESIDENT

FROM: JOSEPH W. ARAGON JA

SUBJECT: Brown Memorandum dated September 8, 1977
re Crisis in Black Youth Unemployment

CONCLUSION

It is difficult to argue against any proposal that has as its objective the creation of jobs for unemployed black youth, and Sam Brown's proposal has merit. But, for the reasons given below, it should be studied in much greater detail before moving forward with it.

REASONS

1. Sam Brown's proposal is based on numbers of registered blacks who are unemployed. Obviously this number does not accurately reflect the actual number who are unemployed since many simply have not registered. The announcement of a guaranteed job program could dramatically increase the number of young blacks who would register for employment. This could have a highly significant effect on the dollar size of the program.
2. Brown's proposal would make the jobs available to all young unemployed people. How then would Brown assure that young blacks were materially benefited by such a program. In other words, how would Brown avoid the channeling of these jobs into primarily white unemployed youth?

3. The cities proposed by Brown are almost all in the East. What about the rest of the country? In particular, what about cities where the predominant unemployed minority is hispanic?
4. The program as proposed raises serious issues with regard to the political viability of the program. Its narrow geographical and ethnic focus, combined with rather sanguine projections of the numbers who would actually register for the program, pose questions as to the practicability of such an approach.
5. The idea is a good one, but unless it impacts significantly upon the tragically high unemployment among young blacks, hispanics, and others it could have the reverse effect, increasing frustration and despair.

Date: September 10, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Jack Watson
Bert Lance
Charlie Schultze
Joe Aragon

FOR INFORMATION:
The Vice President
Midge Costanza
Bunny Mitchell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Brown memo dated 9/8/77 re Crisis in Black Youth
Unemployment.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 AM

DAY: Tuesday

DATE: September 13, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



OFFICE OF
THE DIRECTOR

ACTION

WASHINGTON, D.C. 20525

977 SEP 9 PM 5 08

September 8, 1977

MEMORANDUM

TO: Tim Kraft

FROM: Sam Brown *Sam*

Attached is a memo I would like to be brought to the President's attention as soon as possible. Copies have been provided to:

Vice President Mondale
Bill Spring
Marcy Kaptur

I will be out of the country for the next week, but Mary King will be here and can provide additional details. Tom Glynn, on our staff, has been the Senior Planning Officer on the project.



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WASHINGTON, D.C. 20525

MEMORANDUM

September 8, 1977

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The project would have two components--major cities and medium cities. Major cities over 400,000 population could include: Baltimore, Detroit, Newark, Philadelphia and Washington, D. C. Medium-size cities between 250,000 and 400,000 could include: Jersey City, El Paso, New Orleans, Allentown and Buffalo.

In each of the ten cities every registered unemployed young person could be offered a community service placement. The young people would be paid \$2.65, the proposed minimum wage, and would serve for one year. The projects would be run locally by new non-profit organizations that would include on their boards representatives from the Urban League, City Hall, young people, etc.

ASSUMPTIONS

First, I would like to suggest this problem is more tractable than it appears when aggregate data are used. When the Washington Post or the New York Times or the Department of Labor speak in terms of 421,000 unemployed young black people and a 40.4% unemployment rate the problem appears insurmountable. However, Baltimore, the seventh largest city in the country has 6,000 registered unemployed black youths 16-19; Philadelphia, the fourth largest, has 8,000 registered

unemployed young blacks.

Second, often those of us in the bureaucracy, even those who are political appointees, become the victims of our jobs. Frankly, I have been disappointed in the proposals which I am told you will get from other agencies on this critical problem. I think it is important to tie whatever is done to a long-term policy innovation that will capture some national attention. The package should be seen as a first practical step to a more comprehensive solution. People outside the bureaucracy need to be consulted. Some suggestions include Peter Edelman, Isabelle Sawhill, William Ross and Vernon Alden.

Third, to ensure long-term political and programmatic success the program must be universal. Whatever program is created, it should be open to all unemployed young people.

POLICY TEST

Part of the reason I have confidence in this approach is that two months ago we approached the Department of Labor about setting up a similar project in only one city. After initial caution, they have become very enthusiastic and have committed \$10 million from the Youth Unemployment Act. What we proposed, specifically, was to offer every unemployed young person the opportunity to serve as a VISTA-type, paid volunteer. This model is now ready to be tested by DOL and ACTION in one community and could be extended to nine other cities.

After initial skepticism about a national youth service, I now favor a policy of national youth service that would enroll 1 million unemployed young people every year. The National Youth Service concept is built on the notion that every young person should have the opportunity to serve. It would differ from existing manpower programs in that:

1. It is based on the concept of community services that need to be done, not on the concept of young people who need jobs.
2. It assigns people to innovative social services like block-watch crime prevention, neighborhood associations, home-care corporations, primary health care, etc.
3. It is non-stigmatizing since it is open to all

unemployed young people.

4. It is not administered by existing CETA organizations.
5. It offers young people a choice of assignments.
6. It is tied to a major national policy proposal - National Youth Service.

COST

The major city component would cost \$237 million for 5 cities and the medium-size city component would cost \$118 million. The total cost is \$355 million.

While I would be very enthusiastic about undertaking this project, I do not think our Agency with a \$190 million current budget can mount a \$355 million pilot program. I think we could successfully execute and manage the \$118 million medium-size component. Perhaps, the Department of Labor could run the major city component if they were permitted to do so outside of the existing CETA structure.

I would be happy to provide more details or to work with any group you put together on this problem.

YOUTH SERVICE PROGRAM*
5 MAJOR CITIES

City	Population	# unemployed youth (16-19)	cost in millions
Baltimore	620,000	8,000	\$34.8
Detroit	913,000	13,000	56.55
**Newark	1,453,000	13,000	56.55
Philadelphia	1,353,000	14,000	60.9
**Washington	2,127,000	20,000	87.0
		<u>68,000</u>	<u>\$236.6 million***</u>

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Allentown, Pa.	297,000	3,800	13.2
Buffalo	425,000	13,000	45.2
	<u>1,837,000</u>	<u>33,850</u>	<u>\$117.5 million***</u>

* Data obtained from BLS: Labor Force Status of Civilian Population
16 years and Over in 30 Large SMSA's/10 CITIES (1976 Annual Averages).
Data has questionable reliability due to BLS sampling and formula
factoring policies.

** SMSA.

*** Cost using ACTION Youth Service model: \$5800/person x # unemployed
youth x .60 (job acceptance factor). Includes support/admin. costs.

September 10, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson
Bert Lance
Charlie Schultze
Joe Aragon

(copy)
FOR INFORMATION:
The Vice President
Midge Costanza
Bunny Mitchell

Date 9/10

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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 13, 1977

MEMORANDUM TO THE PRESIDENT

FROM: CHARLIE SCHULTZE ^{CLS}
SUBJECT: The Proposal to Test a National Youth Service

This memorandum is in response to the proposal by Sam Brown of ACTION to test a National Youth Service program by offering a job to every 16-19 year old who is looking for work in five large and five medium cities.

It is very clear that the problem of youth unemployment (especially minority youth unemployment) is extremely serious. The ACTION proposal, however, is premature and needs to be coordinated with other efforts now underway.

1. The proposed demonstration projects under this proposal overlap with a similar project under the Youth Employment and Demonstration Projects Act (YEDPA) that will be under way by January, 1978. The YEDPA project has been carefully conceived and will allow us to evaluate the effectiveness of alternative approaches.
2. It is quite possible that we have reached the saturation point in terms of the potential of PSE to solve structural unemployment problems. During FY 1978 the number of full-year PSE slots under all the various federal programs will increase from 850,000 to 1,260,000, and another major increase is scheduled as a component of welfare reform. It would be a very bad situation if a maze of overlapping programs were forced to compete among themselves for tasks to be performed in local communities.

3. In addition to the need for coordination of PSE programs, we must consider alternative policies designed to alleviate the problem of minority youth unemployment. To this end a report you requested on Issues in Youth Unemployment will be available by October 3. In addition to an analysis of the causes of the problem, the report will contain an inventory of current programs and a set of policy options to increase our efforts in this area.

I recommend that the ACTION proposal be evaluated as part of the October 3 report referred to above.

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Jack Watson
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☒ Your comments

Other:

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NOTE: MEMORANDUM TO THE PRESIDENT ATTACHED.
9/13/77.

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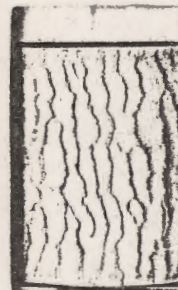
THE WHITE HOUSE
WASHINGTON

September 19, 1977

Frank Moore

The attached letters to Senators
supporting ALCAN are forwarded to you
for delivery.

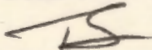
Rick Hutcheson



THE WHITE HOUSE
WASHINGTON

Patty .

Please make a copy of
The incoming letter from
Bagh, et al & The
President's reply to
Kathy Baker of KMI
office who will pick
it up around 3¹⁵.

Thanks,


THE WHITE HOUSE
WASHINGTON

September 19, 1977

Secretary Schlesinger

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Stu Eizenstat

RE: REPLY TO SENATORS SUPPORTING
ALCAN

THE WHITE HOUSE
WASHINGTON

September 17, 1977

Stu
J

MEMORANDUM FOR THE PRESIDENT

FROM

STU EIZENSTAT

Stu

SUBJECT

REPLY TO SENATORS SUPPORTING ALCAN

Attached for your signature are replies to the Senators who requested that you choose the Alcan route.*

done

Also attached, as you requested, is a draft of the Agreement on Principles with Canada. As you can see, it is rather lengthy. We would be happy to prepare a summary if you desire.


no -
Schlesinger
Can do it

*One of the letters is attached.
The other 13 are identical.
With your approval, we will use
the pen to sign the rest of the
letters.

ok

Rick

**Electrostatic Copy Made
for Preservation Purposes**


THE WHITE HOUSE

WASHINGTON

September 16, 1977

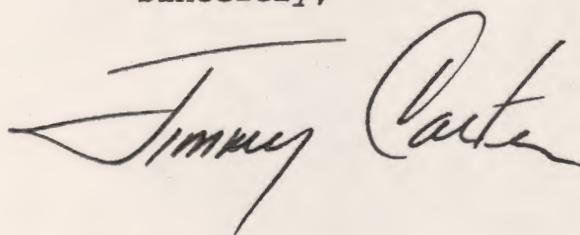
To Senator Birch Bayh

Your support during our negotiations with the Canadian Government on a route for transporting Alaskan natural gas has been extremely helpful both to me and to my staff.

I am very pleased that Prime Minister Trudeau and I have come to agreement on the Alcan route, and I believe that this joint decision is in the best interest of both of our countries.

Very shortly I will be submitting my decision and the more detailed report called for under the Alaska Natural Gas Transportation Act to the Congress. I am anxious to continue working with you as Congress considers this important issue, and look forward to your support in that process.

Sincerely,



The Honorable Birch Bayh
United States Senate
Washington, D.C. 20510

United States Senate

WASHINGTON, D.C.

THE PRESIDENT HAS SEEN.

July 29, 1977

The President
The White House
Washington, D. C. 20500

Regue brief
reply
J
To P
29 JUL 1977
cc: S. L. L.

Dear Mr. President:

We have been following recent developments relative to the proposed routes for the Alaskan gas pipeline with great interest. We are writing to express our deep concern that this issue be resolved in such a way that the safest and most economical and environmentally acceptable pipeline is completed at the earliest possible date.

As we understand the current situation, deliberations in both the United States and Canada are reaching a decisive stage, and both governments will soon announce their preferences for a route. The Canadian government has already received recommendations from the Berger Inquiry and the National Energy Board, both of which were critical of the Arctic pipeline. It is currently awaiting reports from the Lysyk Inquiry, which will address the economic and social costs of the Alcan Route, and from the Environmental Assessment Review Panel, which will assess the environmental impact of the Alcan route. Both of these reports are expected by August 1, 1977.

Here, in this country, the Federal Power Commission and the Administration's Task Forces have also sent final recommendations to you. While the FPC was divided in its judgment about the relative merits of the Alcan and Arctic routes, it clearly found either of them superior to the El Paso proposal. The Alcan proposal received the strongest backing from your own Task Forces, and even more recently the Justice Department issued a report criticizing the Arctic route because of its anticompetitive aspects.

Though in the past many of us have favored the Arctic route, which was the first proposal for bringing Alaskan gas to the eastern half of the country, and still do, it has become clear from reviewing the various reports and recommendations, especially those issued by the Canadian government, that the only viable trans-Canadian option available is the route that follows the Alcan Highway. This is particularly so if the

issues raised by the National Energy Board about the Alcan route can be negotiated in a way that does not compromise the technical or financial viability of the Alcan proposal. For this reason, we hope that American representatives at these negotiations will endeavor to resolve these issues so that this proposal, which is in the mutual interest of both countries, will proceed promptly and in a mutually satisfactory manner.

Mr. President, we feel certain that with the demise of the Arctic route, the pressure on you to recommend the El Paso route will become increasingly intense. We respectfully urge you to follow the thoughtful and well documented recommendations of both the Federal Power Commission and your Task Forces which came to the conclusion that the El Paso route is not advisable. The Alcan route is developing as the only acceptable route to the Canadians. It seems to us also to be the route which would be most beneficial to the United States. We hope you will share our conclusions, and we are looking forward to a successful resolution of this important problem.

The Alaskan Natural Gas Transportation Act provides for Congressional approval of your recommendation for an Alaskan gas pipeline. We write with the sincere belief that it would be most unfortunate if a lack of prior consultation between Congress and the Executive Branch led to a difference of opinion at the time you send us your recommendation. Thus, we emphasize our feelings at this time and urge you to make a prompt decision so that Congress will have ample time to act on this crucial issue before it adjourns.

Thank you for your personal consideration of this matter.

Wendell R. Anderson

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Sincerely,

Birch Bayh

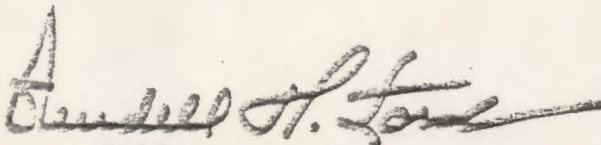
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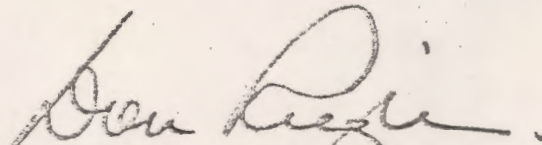
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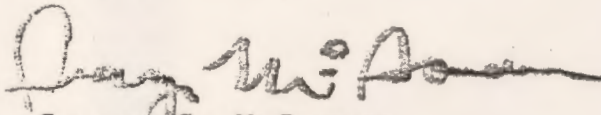
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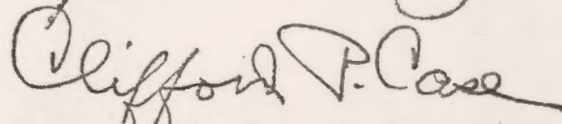
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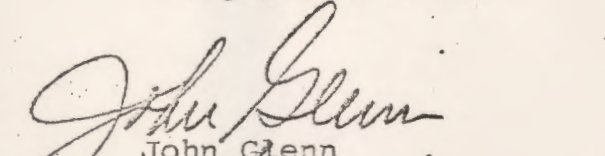
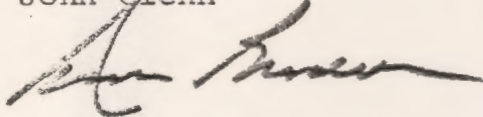
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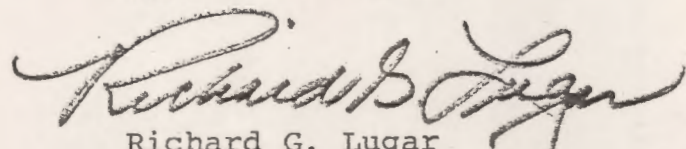
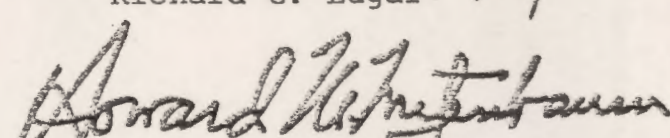

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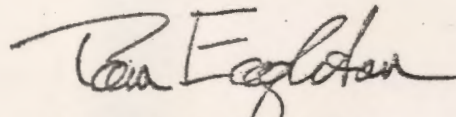

Donald W. Riegle, Jr.

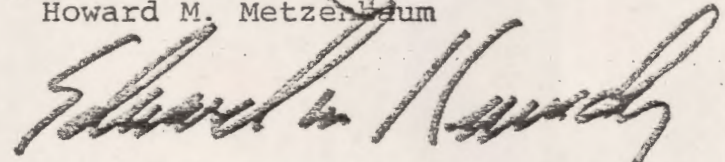

George S. McGovern

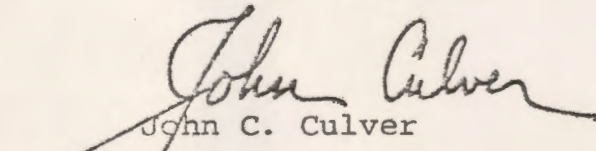

Clifford P. Case


John Glenn

Quentin N. Burdick


Richard G. Lugar

Howard M. Metzenbaum


Thomas F. Bagleton


Edward M. Kennedy


John C. Culver

United States Senate

WASHINGTON, D.C. 20510

July 25, 1977

THE PRESIDENT HAS SEEN.

MEMORANDUM

To: The President

From: Hubert Humphrey

Subject: Alaskan Gas Transportation

Prime Minister Trudeau next week may select Alcan as the Alaskan gas transportation system preferred by his Government. If so, the two most feasible alternatives before you in making your Alaskan gas routing decision on September 1st will be Alcan and El Paso.

These two routes are similar in a number of respects, including total project cost, financing arrangements, and system capacity. Alcan may hold a slight edge with its lower delivery costs to consumers and a projected completion date from 6 to 18 months earlier than El Paso.

There are three areas, however, where Alcan is markedly superior. Selection of Alcan will result in more gas being delivered to the lower 48 than the El Paso line. That gas will be delivered with less environmental risk, as well, and with a far greater degree of certainty.

Gas Supply

Canada now supplies some 5 percent (2.7 billion cubic feet per day) of total U.S. gas consumption. In some states, this constitutes a sizable portion of all supplies (e.g. 65 percent in Washington and Idaho, and 45 percent in Oregon and Northern California).

The most recent Canadian National Energy Board (NEB) analysis of their gas demand/supply outlook reveals that continuation of these exports will shortly curtail domestic Canadian consumer deliveries. To avoid these curtailments, U.S. imports will have to be cut back as early as 1982 or 1983, and will cease altogether by 1989. The NEB presumes that access to frontier reserves by

Memorandum to the President
July 25, 1977
Two (2)

1989 will avoid the necessity to curtail Canadian consumers beginning in that year. No Canadian frontier reserves are economically accessible now.

We can expect some Canadian flexibility on the timing of gas export curtailments. Nevertheless, this predictable curtailment and possible cessation of gas exports will have a devastating impact here. And, this impact will be nationwide as priority residential users in the Northern Tier, the West and the Pacific Coast preempt less preferred users everywhere.

The most effective means to avoid import curtailments in the early 1980's is for the U.S. to facilitate Canadian access to frontier reserves. As originally designed, and particularly as modified by the NEB on July 4th, the Alcan route does facilitate such access. In fact, it will open for exploration the McKenzie Delta, Canada's cheapest frontier reserve -- and a reserve not now economically accessible without Alcan. This access via Alcan will delay any import curtailment until at least the late 1980's and even beyond if additional Delta and Polar gas reserves are discovered.

In short, your selection of Alcan offers the most certain way to avoid import reductions or even their cessation in the 1980's -- a cessation (2.7 bcf per day) which, should it occur, would not even be entirely offset by the new Alaskan gas flows (2.4 bcf per day through either system). A choice of El Paso will actually diminish the volume of gas available to our consumers by the mid-1980's from Canada and Alaska combined. And, it will markedly weaken our bargaining position when Canada initiates gas export curtailments. Put another way, within a decade or so, gas supplies totaling 5.1 bcf daily will be available as a result of an Alcan selection; El Paso will only result in 2.4 bcf daily being available.

One final point: The NEB notes that 1.1 bcf per day of Albertan natural gas is going begging now, with depressant effects on domestic exploration. If Alcan is selected, the NEB has suggested it prebuild some necessary pipelines in Alberta and Saskatchewan to make this excess gas available to the U.S. during 1979 and 1980.

Environmental Considerations

By using existing transportation corridors, Alcan minimizes environmental risks.

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andum to the President
25, 1977
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The El Paso proposal includes gas liquefaction and gassification facilities of a scale heretofore untried. Both facilities will sit in active fault areas, as well. Finally, some possibility exists that El Paso will not find a gassification facility site acceptable to California officials.

Certainty of Gas Delivery

Alcan involves the use of existing, standard, and widely used technology. Because it will use existing corridors, Alcan's environmental and construction barriers are known factors. The major non-technical barrier is the Yukon native-lands claims. These claims were under negotiation long before Alcan was proposed and have been scheduled for final disposition later this year.

El Paso is subject to more uncertainty. As I've noted, the proposed liquefaction and gassification facilities are of a scale not previously constructed. The use of large LNG tankers subjects the El Paso system to a relatively high risk of interruption. And, the capability exists for State authorities in California to frustrate or at least delay your decision.

The most troublesome feature of Alcan involve its location in Canada.

Canadian Authorities

The NEB demands that the Canadian portion of Alcan be owned by Canadian entities. The NEB will exercise regulatory control over that portion, although American firms can participate in regulatory decisions and in internal Alcan deliberations, as well.

There is some risk that either Canadian entities within Alcan, or the Canadian Government at some future date could disrupt Alaskan gas flows. This would violate our new Hydrocarbon Treaty. In addition, I believe this risk to be small because of our capability to retaliate. Specifically, all Canadian oil imports are landed at Maine, and transported to Canada through the American-owned Portland Pipeline. This oil constitutes a significant portion of Canadian supplies, upwards of 40 percent. Closing the Portland line would be comparable in impact on Canada to a complete cessation of oil imports to the United States.

8 September 6:00 pm

AGREEMENT ON PRINCIPLES APPLICABLE
TO A NORTHERN NATURAL GAS PIPELINE

The Government of Canada and the Government of the
United States,

Desiring to advance the national economic and energy
interests and to maximize related industrial benefits of
each country, through the construction and operation of
a pipeline system to provide for the transportation of
natural gas from Alaska and from Northern Canada,

Hereby agree to the following principles for the
construction and operation of such a system:

1. Pipeline Route

The construction and operation of a pipeline for the transmission of Alaska natural gas will be along the route set forth in Annex I, such pipeline being hereinafter called the Pipeline. All necessary action will be taken to authorize the construction and operation of the Pipeline in accordance with the principles set out in this Agreement.

2. Expeditious Construction; Timetable

a) Both Governments will take measures to ensure the prompt issuance of all necessary permits, licenses, certificates, rights-of-way, leases and other authorizations required for the expeditious construction and commencement of operation of the Pipeline, with a view to commencing construction according to the following timetable:

- Alaska - January 1, 1980
- Yukon - main line pipe laying January 1, 1981
- Other construction in Canada to provide for timely completion of the Pipeline to enable initial operation by January 1, 1983.

b) All charges for such permits, licenses, certificates, rights-of-way, leases and other authorizations will be just and reasonable and apply to the Pipeline in the same non-discriminatory manner as to any other similar pipeline.

c) Both Governments will take measures necessary to facilitate the expeditious and efficient construction of the Pipeline, consistent with the respective regulatory requirements of each country.

3. Capacity of Pipeline and Availability of Gas

a) The initial capacity of the Pipeline will be sufficient to meet, when required, the contractual requirements of United States shippers and of Canadian shippers. It is contemplated that this capacity will be 2.4 billion cubic feet per day (bcfd) for Alaska gas and 1.2 bcfd for northern Canadian gas. At such time as a lateral pipeline transmitting northern Canadian gas, hereinafter referred to as the Dempster Line, is to be connected to the Pipeline or at any time additional pipeline capacity is needed to meet the contractual requirements of United States or Canadian shippers, the required authorizations will be provided, subject to regulatory requirements, to expand the capacity of the Pipeline in an efficient manner to meet those contractual requirements.

b) The shippers on the Pipeline will, upon demonstration that an amount of Canadian gas equal on a British Thermal Unit (BTU) replacement value basis will be made available for contemporaneous export to the United States, make available from Alaska gas transmitted through the Pipeline, gas to meet the needs of remote users in the Yukon and in the provinces through which the Pipeline

passes. Such replacement gas will be treated as hydrocarbons in transit for purposes of the Agreement between the Government of Canada and the Government of the United States of America concerning Transit Pipelines, hereinafter referred to as the Transit Pipeline Treaty. The shippers on the Pipeline will not incur any cost for provision of such Alaska gas except those costs arising from the following provisions:

i) the owner of the Pipeline in the Yukon will make arrangements to provide gas to the communities of Beaver Creek, Burwash Landing, Destruction Bay, Haines Junction, Whitehorse, Teslin, Upper Liard and Watson Lake at a total cost to the owner of the Pipeline not to exceed Canadian \$2.5 million;

ii) the owner of the Pipeline in the Yukon will make arrangements to provide gas to such other remote communities in the Yukon as may request such gas within a period of two years following commencement of operation of the Pipeline at a cost to the owner not to exceed the product of Canadian \$2500 and the number of customers in the communities, to a maximum total cost of Canadian \$2.5 million.

4. Financing

a) It is understood that the construction of the Pipeline will be privately financed. Both Governments recognize that the companies owning the Pipeline in each country will have to demonstrate to the satisfaction of the United States or the Canadian Government, as applicable, that protections against risks of non-completion and interruption are on a basis acceptable to that Government before proof of financing is established and construction allowed to begin.

b) The two Governments recognize the importance of constructing the Pipeline in a timely way and under effective cost controls. Therefore, the return on the equity investment in the Pipeline will be based on a variable rate of return, designed to provide incentives to avoid cost overruns and to minimize costs consistent with sound pipeline management. The base for the incentive program used for establishing the appropriate rate of return will be the capital costs used in measuring cost overruns as set forth in Annex III.

c) It is understood that debt instruments issued in connection with the financing of the Pipeline in Canada will not contain any provision, apart from normal trust indenture restrictions generally applicable in the pipeline industry, which would prohibit, limit or inhibit the financing of the construction of the Dempster Line; nor will the variable rate of return provisions referred to in subparagraph (b) be continued to the detriment of financing the Dempster Line.

5. Taxation and Provincial Undertakings

a) Both Governments reiterate their commitments as set forth in the Transit Pipeline Treaty with respect to non-discriminatory taxation[, and take note of the statements issued by Governments of the Provinces of British Columbia, Alberta and Saskatchewan (attached hereto as Annex ____) in which those Governments undertake to ensure adherence to the provisions of the Transit Pipeline Treaty with respect to non-interference with throughput and to non-discriminatory treatment with respect to taxes, fees or other monetary charges on either the Pipeline or throughput.]

b) With respect to the Yukon Property Tax imposed on or for the use of the Pipeline the following principles apply:

i) The maximum level of the property tax, and other direct taxes having an incidence exclusively, or virtually exclusively, on the Pipeline, including taxes on gas used as compressor fuel, imposed by the Government of Yukon Territory or any public authority therein on or for the use of the Pipeline, [but excluding [from such other direct taxes] any other

direct taxes of general application applied on or for the use of property in the Yukon Territory] herein referred to as the Yukon Property Tax, will not exceed \$30 million Canadian per year adjusted annually from 1983 by the Canadian Gross National Product price deflator as determined by Statistics Canada, hereinafter referred to as the GNP price deflator.

ii) For the period beginning January 1, 1980, and ending on December 31 of the year in which leave to open the Pipeline is granted by the appropriate regulatory authority, the Yukon Property Tax will not exceed the following:

1980--\$5 million Canadian

1981--\$10 million Canadian

1982--\$20 million Canadian

Any subsequent year to which this provision applies--\$25 million Canadian.

iii) The Yukon Property Tax formula described in subparagraph (b)(i) will apply from January 1 after the year in which leave to open the Pipeline is granted by the appropriate regulatory authority

until the date that is the earlier of the following, hereinafter called the tax termination date:

- a) December 31, 2008, or
- b) December 31 of the year in which leave to open the Dempster Line is granted by the appropriate regulatory authority.

iv) If for the last year in the period, commencing on January 1, 1983, and ending on the earlier of the tax termination date or December 31, 1987, the percentage increase of the aggregate per capita revenue derived from all property tax levied by any public authority in the Yukon Territory (excluding the Yukon Property Tax) and grants to municipalities and Local Improvement Districts from the Yukon Territorial Government as compared to the aggregate per capita revenue derived from such sources for 1983 is greater than the percentage increase for that last year of the Yukon Property Tax as compared to the Yukon Property Tax for 1983, the maximum level of the Yukon Property Tax for that last year may be increased to equal the amount it would have reached had it increased over the periods at the same rate as the aggregate per capita revenue.

v) If for any year in the period commencing January 1, 1988, and ending on the tax termination date, the annual percentage increase of the aggregate per capita revenue derived from all property tax levied by any public authority in the Yukon Territory (excluding the Yukon Property Tax) and grants to municipalities and Local Improvement Districts from the Yukon Territorial Government as compared to the aggregate per capita revenue derived from such sources for the immediately preceding year exceeds the percentage increase for that year of the Yukon Property Tax as compared to the Yukon Property Tax for the immediately preceding year, the maximum level of the Yukon Property Tax for that year may be adjusted by the percentage increase of the aggregate per capita revenue in place of the percentage increase that otherwise might apply.

vi) The provisions of subparagraph (b)(i) will apply to the value of the Pipeline for the capacities contemplated in this Agreement. The Yukon Property Tax will increase for the additional facilities beyond the aforesaid contemplated capacity in direct proportion to the increase in the gross asset value of the Pipeline.

vii). In the event that between the date of this Agreement and January 1, 1983, [the rate of the Alaska property tax on pipelines] taking into account the mill rate and the method of valuation, increases by a percentage greater than the cumulative [percentage increase in the] Canadian GNP deflator over the same period, there may be an adjustment on January 1, 1983, to the amount of \$30 million Canadian described in subparagraph (b) (i) of the Yukon property tax to reflect this difference[, and in defining the Alaska property tax for purposes of this Agreement, the definition of the Yukon Property Tax will apply mutatis mutandis].

viii) In the event that, for any year during the period described in subparagraph (iii), the annual rate of the Alaska property tax on or for the use of the Pipeline in Alaska increases by a percentage over that imposed for the immediate preceding year that is greater than the increase in percentage of the Yukon Property Tax for the year, as adjusted, from that applied to the immediately preceding year, the Yukon Property Tax may be increased to reflect the percentage increase of the Alaska property tax.

ix) [It is understood that indirect socioeconomic costs in the Yukon Territory will not be reflected in the cost-of-service to the United States shippers other than through the Yukon property tax. It is further understood that no public authority will require creation of a special fund or funds in connection with construction of the Pipeline in the Yukon, financed in a manner which is reflected in the cost of service to U.S. shippers, other than through the Yukon Property Tax. However, should public authorities in the State of Alaska require creation of a special fund or funds, financed by contributions not fully reimbursable, in connection with construction of the Pipeline in Alaska, the Governments of Canada and [or] the Yukon Territory will have the right to take similar action.]

c) The Government of Canada will use its best endeavors to ensure that the level of any property tax imposed by the Government of the Northwest Territories on or for the use of that part of the Dempster Line that is within the Northwest Territories is reasonably comparable to the level of the property tax imposed by the Government of the Yukon on or for the use of that part of the Dempster Line that is in the Yukon.

6. Tariffs and Cost Allocation

It is agreed that the following principles will apply for purposes of cost allocation used in determining the cost of service applicable to each shipper on the Pipeline in Canada:

a) The Pipeline in Canada and the Dempster Line will be divided into zones as set forth in Annex 2. Except for fuel and except for Zone 11 (the Dawson-Whitehorse portion of the Dempster Line), the cost of service to each shipper in each zone will be determined on the basis of volumes as set forth in transportation contracts. The volumes used to assign these costs will reflect the original Btu content of Alaskan gas for U.S. shippers and Delta gas for Canadian shippers, and will give effect to the change in heat content as the result of commingling. Each shipper will provide volumes for line losses and line pack in proportion to the contracted volumes transported in the zone. Each shipper will provide fuel requirements in relation to the volume of his gas being carried and the content of the gas as it affects fuel consumption.

b) It is understood that to avoid increased construction and operating costs for the transportation

of Alaskan gas the Pipeline will follow a southern route through the Yukon along the Alaska Highway rather than a northern route through Dawson City and along the Klondike Highway. In order to provide alternative benefits for the transportation of Canadian gas to replace those benefits that would have been provided by the northern route through Dawson City, U.S. shippers will participate in the cost of service in Zone 11. It is agreed that if cost overruns on construction of the Pipeline in Canada do not exceed filed costs set forth in Part D of Annex III by more than 35 percent, U.S. shippers will pay the full cost of service in Zone 11. U.S. shipper participation will decline if overruns exceed 35 percent; however, at the minimum the U.S. shippers' share will be the greater of either two-thirds of the cost of service or the proportion of contracted Alaska gas in relation to all contracted gas carried in the Pipeline. The proportion of the cost of service borne by U.S. shippers in Zone 11 will be reduced should overruns on the cost of construction in that Zone exceed 35 percent after allowance for the benefits to U.S. shippers derived from construction cost savings in other Zones. Notwithstanding the foregoing, at the minimum, the U.S. shippers' share will be the greater

of either two-thirds of the cost of service or the proportion of contracted Alaska gas in relation to all contracted gas carried in the Pipeline. Details of the allocation of cost-of-service are set out in Annex 3.

c) Notwithstanding the principles in Paragraphs (a) and (b), in the event that the total volume of gas offered for shipment exceeds the efficient capacity of the Pipeline, the method of cost allocation for the cost of service for shipments of Alaskan gas or Canadian gas in excess of the efficient capacity of the Pipeline will be subject to review and subsequent agreement by both Governments.

d) It is agreed that Zone 11 costs of service allocated to U.S. shippers will not include costs additional to those attributable to a pipe size of 42 inches. Zone 11 costs will include only facilities installed at the date of issuance of the leave to open order, or that are added within three years thereafter.

7. Supply of Goods and Services

a) Having regard to the objectives of this Agreement, each Government will endeavor to ensure that the supply of goods and services to the Pipeline project will be on generally competitive terms. Elements to be taken into account in weighing competitiveness will include price, reliability, servicing capacity and delivery schedules.

b) It is understood that through the coordination procedures in Paragraph 8 below, either Government may institute consultations with the other in particular cases where it may appear that the objectives of subparagraph (a) are not being met. Remedies to be considered would include the renegotiation of contracts or the reopening of bids.

8. Coordination and Consultation

Each Government will designate a senior official for the purpose of carrying on periodic consultations on the implementation of these principles relating to the construction and operation of the Pipeline. The designated senior officials may, in turn, designate additional representatives to carry out such consultations, which representatives, individually or as a group, may make recommendations with respect to particular disputes or other matters, and may take such other action as may be mutually agreed, for the purpose of facilitating the construction and operation of the Pipeline.

9. Regulatory Authorities: Consultation

The respective regulatory authorities of the two Governments will consult from time to time on relevant matters arising under this Agreement, particularly on the matters referred to in paragraphs 4, 5 and 6, relating to tariffs for the transportation of natural gas through the Pipeline.

10. Technical Study Group on Pipe

a) The Governments will establish a study group for the purpose of testing and evaluating 54-inch 1120 pounds per square inch (psi), 48-inch 1260 psi, and 48-inch 1680 psi pipe or any other combination of pressure and diameter which would achieve safety, reliability and economic efficiency for operation of the Pipeline. It is understood that the decision relating to pipeline specifications remains the responsibility of the appropriate regulatory authorities.

b) It is agreed that the efficient pipe for the volumes contemplated (including reasonable provision for expansion), subject to appropriate regulatory authorization, will be installed from the point of interconnection of the Pipeline with the Dempster Line near Whitehorse to the point near Caroline, Alberta, where the Pipeline bifurcates into a western and an eastern leg.

11. Direct Charges by Public Authorities

a) Consultation will take place at the request of either Government to consider direct charges by public authorities imposed on the Pipeline where there is an element of doubt as to whether such changes should be included in the cost of service.

b) It is understood that the direct charges imposed by public authorities requiring approval by the appropriate regulatory authority for inclusion in the cost of service will be subject to all of the tests required by the appropriate legislation and will include only

i) those charges that are considered by the regulatory authority to be just and reasonable on the basis of accepted regulatory practice, and

ii) those charges of a nature that would normally be paid by a natural gas pipeline in Canada, examples of which are listed in Annex IV.

12. Other Costs

It is understood that there will be no charges on the pipeline having an effect on the cost of service other than those:

- i) imposed by a public authority as contemplated in this Agreement or in accordance with the Transit Pipeline Treaty,
- ii) caused by Acts of God, other unforeseen circumstances, or
- iii) normally paid by natural gas pipelines in Canada in accordance with regulatory practices.

13. Compliance with Terms and Conditions

The principles applicable directly to the construction, operation and expansion of the Pipeline will be implemented through the imposition by the two Governments of appropriate terms and conditions in the granting of required authorizations. In the event of subsequent non-fulfillment of such a term or condition by an owner of the Pipeline, or by any other private person, the two Governments will not have responsibility therefor, but will take such action as is required to remedy or mitigate the consequences of such non-fulfillment.

14. Legislation

The two Governments recognize that legislation will be required to implement the provisions of this Agreement. In this regard, they will expeditiously seek all required legislative authority so as to facilitate the timely and efficient construction of the Pipeline and to remove any delays or impediments thereto.

15. Entry Into Force

This Agreement will become effective upon signature and shall remain in force for a period of 35 years and thereafter until terminated upon 12 months' notice given in writing by one Government to the other, provided that those provisions of the Agreement requiring legislative action will become effective upon exchange of notification that such legislative action has been completed.

IN WITNESS WHEREOF the undersigned representatives,
duly authorized by their respective Governments, have
signed this Agreement.

DONE in duplicate in the English and French languages,
both versions being equally authentic, this _____ day
of _____, 1977.

For the Government
of the United States:

For the Government
of Canada:

Zones for the Pipeline in Canada .

- Zone 1 Foothills Pipe Lines (South Yukon) Ltd.
Alaska Boundary to point of interconnection with
the Dempster Line at or near Whitehorse.
- Zone 2 Foothills Pipe Lines (South Yukon) Ltd.
Whitehorse to Watson Lake.
- Zone 3 Foothills Pipe Lines (North B.C.) Ltd.
Watson Lake to point of interconnection with
Westcoast's main pipeline near Fort Nelson.
- Zone 4 Foothills Pipe Lines (North B.C.) Ltd.
Point of interconnection with Westcoast's main
pipeline near Fort Nelson to the Alberta/B.C.
border.
- Zone 5 Foothills Pipe Lines (Alta.) Ltd.
Alberta/B.C. border to point of bifurcation near
Caroline, Alberta.
- Zone 6 Foothills Pipe Lines (Alta.) Ltd.
Caroline, Alta. to Alberta/Saskatchewan border
near Empress.

Zone 7 Foothills Pipe Lines (Alta.) Ltd.

Caroline to Alberta/B.C. border near Coleman.

Zone 8 Foothills Pipe Lines (South B.C.) Ltd.

Alberta/B.C. border near Coleman to B.C./U.S.
border near Kingsgate.

Zone 9 Foothills Pipe Lines (Sask.) Ltd.

Alberta/Saskatchewan border near Empress to
Saskatchewan/U.S. border near Monchy.

Zone 10 Foothills Pipe Lines (North Yukon) Ltd.

Mackenzie Delta Gas fields in the Mackenzie
Delta N.W.T. to a point near the junction of
the Klondike and Dempster highways just west
of Dawson, Yukon Territory.

Zone 11 Foothills Pipe Lines (South Yukon) Ltd.

A point near the junction of the Klondike and
Dempster highways near Dawson to the connecting
point with the Pipeline at or near Whitehorse.

Cost Allocation in Zone 11

The cost of service in Zone 11 shall be allocated to United States shippers on the following basis:

- i) There will be calculated, in accordance with (iii) below, a percentage for Zones 1 - 9 in total by dividing the actual capital costs by the filed capital costs and multiplying by 100. If actual capital costs are equal to or less than 135% of filed capital costs, then United States shippers will pay 100% of the cost of service in Zone 11. If actual capital costs in Zones 1 - 9 are between 135% and 145% of filed capital costs, then the percentage paid by United States shippers will be adjusted between 100% and 66 2/3% on a straight-line basis, except that in no case will the portion of cost of service paid by United States shippers be less than the proportion of the contracted volumes of Alaskan gas at the Yukon border to the same volume of Alaskan gas plus the contracted volume of Delta gas. If the actual capital

costs are equal to or exceed 145% of filed capital costs, the portion of the cost of service paid by United States shippers will be not less than 66 2/3% or the proportion as calculated above, whichever is the greater.

ii) There will be calculated a percentage for the cost-overrun on the Dawson to Whitehorse lateral (Zone 11). After determining the dollar value of the overrun, there will be deducted from it:

- (a) the number of dollars in Zones 1, 7, 8 and 9 (carrying U.S. gas only) by which actual capital costs are equal to or less than 135% of filed capital costs referred to in (iii) below;
- (b) in each of Zones 2, 3, 4, 5 and 6 the amount by which actual capital costs are equal to or less than 135% of filed capital costs referred to in (iii) below, multiplied by the proportion that the U.S. contracted volume bears to the total contracted volume in that zone.

If the actual capital costs in Zone 11, after making this adjustment, are equal to or less than 135% of filed capital costs, then no adjustment is required to the percentage of the cost of service paid by United States shippers as calculated in (i) above. If, however, after making this adjustment, the actual capital cost in Zone 11 is greater than 135% of filed capital cost, then the proportion of the cost of service paid by United States shippers will be a fraction (not exceeding .1) of the percentage of the cost of service calculated in (i) above, where the numerator of the fraction is 135% of the filed capital cost and the denominator of the fraction is actual capital cost less the adjustments from (a) and (b) above. Notwithstanding the adjustments outlined above, in no case will the percentage of the actual cost of service borne by United States

shippers be less than the greater of 66 2/3% or the proportion of the contracted volumes of Alaskan gas at the Yukon border to the same volume of Alaskan gas plus the contracted volume of Delta gas.

- iii) The "filed capital cost" to be applied to determine cost overruns for the purpose of cost allocation in (i) and (ii) above will be:

<u>Main Line (Zones 1 - 9)</u> ^{1/}	<u>"Filed Capital Cost"</u> Estimates for the Pipeline in Canada (millions of Canadian dollars)
48" - 1260 lb. pressure pipeline -	3,873
or 48" - 1680 lb. pressure pipeline -	4,418
or 54" - 1120 lb. pressure pipeline -	4,234

^{1/} These filed capital costs include and are based upon (a) a 1260 psig, 48-inch line from the Alaska-Yukon border to the point of possible interconnection near Whitehorse; (b) a 1260 psig, 48-inch; or 1680 psig, 48-inch; or 1120 psig, 54-inch line from the point of possible interconnection near Whitehorse; (c) a 42-inch line from Caroline Junction to the Canada-U.S. border near Monchy, Saskatchewan; and (d) a 36-inch line from Caroline Junction to the Canada-U.S. border near Kingsgate, British Columbia. These costs are escalated for a date of commencement of operations of January 1, 1983.

"Filed Capital Cost"
Estimates for the
Pipeline in Canada
(millions of Canadian
dollars)

Dempster Line (Zone 11)^{2/}

30" - Section of Dempster line from Whitehorse to Dawson	-	549
or 36" - Section of Dempster line from Whitehorse to Dawson	-	585
or 42" - Section of Dempster line from Whitehorse to Dawson	-	705

Details for Zones 1 - 9 are shown in the following table:

^{2/} The costs are escalated for a date of commencement of operations of January 1, 1985.

Filed Capital Costs for the Pipeline in Canada

<u>Zone</u>	<u>48"</u> <u>1260 psi</u> <u>\$ million</u> <u>(Canadian)</u>	<u>48"</u> <u>1680 psi</u> <u>\$ million</u> <u>(Canadian)</u>	<u>54"</u> <u>1120 psi</u> <u>\$ million</u> <u>(Canadian)</u>
1	707	707	707
2	721	864	805
3	738	850	803
4	380	488	456
5	677	859	813
6	236	236	236
7	126	126	126
8	83	83	83
9	<u>205</u>	<u>205</u>	<u>205</u>
Total Zones 1-9	3,873	4,418	4,234

It is recognized that the above are estimates of capital costs. They do not include working capital, property taxes or the provision for road maintenance in the Yukon (not to exceed \$30 million).

If at the time construction is authorized, both Governments have agreed to a starting date for the operation of the Pipeline different from January 1, 1983, then the capital cost estimates shall be adjusted for the difference in time using the GNP price deflator from January 1, 1983. Similarly at the time construction is authorized for the Dempster Line, if the starting date for the operation agreed to by the Canadian Government is different from January 1, 1985, then the capital cost estimate shall be adjusted for the difference in timing using the GNP price deflator from January 1, 1985. The diameter of the pipeline in Zone 11, for purposes of cost allocation, may be 30", 36" or 42", so long as the same diameter pipe is used from the Delta to Dawson (Zone 10).

The actual capital cost, for purposes of subsection (b) herein shall be the booked cost as of the date "leave to open" is granted plus amounts still outstanding to be accrued on a basis to be approved by the NEB. Actual capital costs shall

exclude working capital, property taxes, and direct charges for road maintenance of up to \$30 million in the Yukon as specifically provided herein.

For purposes of (i) and (ii) above, actual capital costs will exclude the effect of increases in cost or delays caused by actions attributable to the U.S. shippers, related U.S. pipeline companies, the Prudhoe Bay deliverability or gas conditioning plant construction and the U.S. Government. If the appropriate regulatory bodies of the two countries are unable to agree upon the amount of such costs to be excluded, the determination shall be made by a third party in accordance with the procedures set forth in Article IX of the Transit Pipeline Treaty.

Charges Normally Paid by a Natural Gas Pipeline

- *1. Crossing damages (roads, RR X-ings, etc.; this item is usually covered in the crossing permit).
- *2. Road damages caused by exceeding allowable load limits.
- *3. Required bridge reinforcements caused by exceeding allowable load limits.
- 4. Airfield and airstrip repairs.
- 5. Drainage maintenance.
- 6. Erosion control.
- 7. Borrow pit reclamation.
- 8. Powerline damage.
- 9. Legal liability for fire damage.
- 10. Utility system repair (water, sewer, etc.)
- 11. Camp waste disposal.
- 12. Camp site reclamation.
- 13. Other items specified in environmental stipulations.
- 14. Costs of surveillance and related studies as required by regulatory bodies or applicable laws.

* In the case of these items and all other road related charges, total charges in the Yukon shall not exceed Canadian \$30 million.

Alberta Statement

The Government of the Province of Alberta agrees in principle to the provisions contained in the Canada-United States Pipeline Treaty of January 18, 1977, and furthermore, Alberta is prepared to cooperate with the Federal Government to ensure that the provisions of the Canada-United States Treaty, with respect to non-interference of throughput and non-discriminatory treatment with respect to taxes, fees, or other monetary charges on either the Pipeline or throughput, are adhered to. Specific details of this undertaking will be the subject of a Federal-Provincial Agreement to be negotiated when the Canada-United States protocol or understanding has been finalized.

Saskatchewan Statement

The Government of Saskatchewan is willing to cooperate with the Government of Canada to facilitate construction of the Alcan Pipeline through southwestern Saskatchewan and, to that end, the Government of Saskatchewan expresses its concurrence with the principles elaborated in the Transit Pipeline Agreement signed between Canada and the United States on January 28, 1977. In so doing, it intends not to take any discriminatory action towards such pipelines in respect of throughput, reporting requirements, and environmental protection, pipeline safety, taxes, fees or monetary charges that it would not take against any similar pipeline passing through its jurisdiction. Further details relating to Canada-Saskatchewan relations regarding the Alcan Pipeline will be the subject of Federal-Provincial agreements to be negotiated after a Canada-United States understanding has been finalized.

EYES ONLY - ~~CONFIDENTIAL~~ ATTACHMENT

THE WHITE HOUSE

• WASHINGTON

September 19, 1977

Midge Costanza
Stu Eizenstat
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson
Hugh Carter

Re: Cabinet Summaries

The attached were returned in the President's
outbox today and are forwarded to you
for your personal information.

Rick Hutcheson

Attachments:

Commerce, Agriculture
Justice, Interior, HEW,
STR, Transportation, Treasury
UN, CEQ, Labor, GSA, EPA, CEA,

THE WHITE HOUSE
WASHINGTON

1

MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson *Jack*
Jane Frank

September 16, 1977

RE:

Summaries for the Week of
September 12 - 16, 1977

We are attaching summaries received from the
following:

Agriculture
Commerce
CEA
EPA
Defense
GSA
HEW (plus Addendum)
Interior
Justice

Labor
STR
Transportation
Treasury
UN

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CC: The Vice President

• THE WHITE HOUSE
WASHINGTON

September 19, 1977

Tim Kraft

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

BUSINESS LEADERS' MEETING

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

9

September 16, 1977

"FYI"

REPORT TO THE PRESIDENT

Anti-boycott Regulations

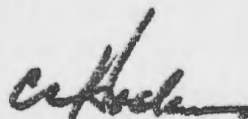
Proposed anti-boycott regulations will be filed for publication in the Federal Register on Tuesday, September 20. We have arranged to brief representatives of interested Jewish and business groups on the contents of the proposed regulations Tuesday afternoon. Publication of these proposed rules will be followed by a 60-day comment period during which interested members of the public can submit additional comments. Comments received over the past several weeks reflect continuing disagreements between business and Jewish groups. Our regulations are designed to implement the law fairly and responsibly, but it is likely that none of the interested parties will be satisfied.

Telecommunications Policy

On Wednesday, I met with Jim McIntyre of OMB to resolve differences that had arisen in the transfer of the telecommunications policy functions to DoC. Secretary Kreps deeply appreciates your making that meeting possible. The result is satisfactory to the Department and is one which, we feel sure, will enable us to effectively perform this function.

Presidential Meeting with Business Leaders

In conjunction with Jack Watson's office, we are in the process of setting up a meeting for you with approximately 10 business leaders for next Friday. The meeting will focus on the business community's views on the economic outlook over the next year, those factors that are affecting their confidence in the Administration's economic policies, and an exchange of views on the Administration's tax reform proposals. The business leaders will come prepared to make short presentations on those topics. In addition, we are working with Mike Blumenthal and Charlie Schultze, so that the Administration representatives can make appropriate remarks to the business leaders. At present, we are scheduled to have 30 minutes with you and, given the importance and complexity of the agenda, hope you will be willing to extend this time to one hour.



C. L. Haslam
Acting Secretary



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

C

1977 SEP 16 AM 10 09
September 15, 1977

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MEMORANDUM TO THE PRESIDENT

THROUGH Jack Watson
Secretary to the Cabinet

SUBJECT: Weekly Report

SUGAR. We have announced the temporary sugar "price support" payment plan. Its legality has been confirmed by Justice. Since only processors who pay producers the support level -- which is higher than the market price -- will be reimbursed, we do not foresee any "windfall profits" for the industry.

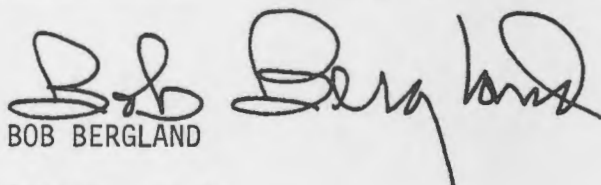
FUTURE. This weekend we are having a seminar -- with representatives from the farms, universities and business -- to try and define just where USDA should be by the end of this Administration and how we can get there. .

GRAIN. The latest crop report indicates an overall 2.8 percent increase in feed grain production over last year.

STRIKE. October 1 is the deadline for completing negotiations with the International Longshoremen at East and Gulf ports. In dollar value, 80 percent of our agricultural exports go through ILA controlled ports.

BEEF. In the seven major feeding states, animals ready for September slaughter were four percent above last year (up 13 percent from 1975). Cattle going on feed was seven percent above last year. This should assure that retail prices will not increase -- at least through December.

FmHA - ASCS. The weekly update on FmHA-ASCS appointments is attached.


BOB BERGLAND

Attachments-2

THE WHITE HOUSE
WASHINGTON

September 19, 1977

The Attorney General

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

A COURT-ORDERED WIRETAP SUCCEEDS
QUITO, ECUADOR CONFERENCE



Office of the Attorney General

Washington, D. C. 20530

September 16, 1977

Re: Principal Activities of the Department of
Justice for the Week of September 12 through 16

1. Meetings and Events

The Attorney General testified three times in the Congress this week: (1) Senate Judiciary Committee, on the bill to create as a Presidential appointment the Office of Associate Attorney General; (2) Senate Judiciary Committee, Subcommittee on Improvements in Judicial Machinery, on Senator Nunn's Judicial Tenure legislation; and (3) House Subcommittee on Criminal Justice (Congressman Mann's) on the Criminal Code recodification. The Attorney General hosted a breakfast Wednesday morning for the newly created House Select Committee on Intelligence. Judge Bell stepped into the lion's den by inviting William Safire to lunch Wednesday. The Attorney General spoke to the opening session Thursday at the Supreme Court of the Judicial Conference of the United States, and hosted a luncheon Thursday for the participants of the Anglo-American interchange (a number of British judges). On Friday, Judge Bell spoke to the Richmond Bar Association.

2. Bakke

The government's brief prepared by the Solicitor General was sent to the printer late Thursday night. A copy was given to Mr. Eizenstat by the Office of the Attorney General Friday. It is presently planned that the brief will be filed with the Supreme Court Monday.

3. FBI-DEA Investigation Units

In the President's August 2 message on drug abuse policy, the Attorney General was directed "to intensify the investigation of the link between organized crime and the drug traffic." Acting at the direction of the Attorney General, the FBI and the Drug Enforcement Administration have formed joint investigative teams in New York, Chicago, and Los Angeles for the purpose of concentrating on the major organized crime figures involved in drug trafficking in those cities. The

- 2 -

agents have been training this week, and the teams will become operational within a matter of days. These joint efforts will be directed and supervised by Benjamin R. Civiletti. The program will be expanded if this initial effort proves successful.

4. A Court-Ordered Wiretap Succeeds

On September 9, 1977, a Title III interception (court-authorized wiretap) in Seattle, Washington, was terminated with the arrest of Jimmie Lee Whitney of San Diego, as he was about to deliver multiple pounds of heroin and cocaine to a Seattle area distributor, Otha C. Bailey, Sr. In addition to Bailey, Theodious Daniels, Bonnie Faye Williams, Major Moss, and a number of other Seattle area distributors were arrested. All had placed orders for heroin with Bailey, which orders were intercepted pursuant to the court-ordered tap on Bailey's phone. good

5. Electronic Surveillance Abroad

To fulfill a Presidential commitment made at the time of the introduction of the Foreign Intelligence Surveillance Act (which covers all electronic surveillance within the United States), the Justice Department is drafting a proposal for legislation to cover electronic surveillance abroad conducted by U.S. agencies. The Department is attempting to fashion a judicial warrant procedure which will safeguard the rights and privacy of Americans abroad without hindering the effectiveness of intelligence operations.

6. National Service Proposal

On Monday, Judge Bell met with Dr. Harris Wofford, President of Bryn Mawr University, to discuss the National Service proposal. Judge Bell indicated his own long-time support of this concept, discussed generally strategies, and asked that his staff assist Dr. Wofford in arranging meetings for Dr. Wofford with Mr. Eizenstat and Mr. Watson to explore further possible Administration interest in this proposition. The Attorney General also pledged to bring these initiatives to the President's attention.

7. Quito, Ecuador Conference

On September 5 and 6, John Harmon of the Office of Legal Counsel represented the Attorney General at the Sixth Inter-american Congress of Attorneys General held in Quito, Ecuador.

At that conference Mr. Harmon was able to obtain agreement from Venezuela, Colombia, Bolivia, Peru, Ecuador, Panama, and Mexico to form a working commission to draft an extradition treaty aimed specifically at narcotics traffickers and to draft a proposed uniform law for those countries dealing with narcotics offenses and control. In addition, the working commission will create a permanent liaison committee to assure communications and cooperation among these countries in the enforcement of their narcotics laws and to present a coordinated front against narcotics traffickers. *Good*

8. Legislative Matters

The Department has 29 hearings scheduled for the remaining five weeks of Congress. These include hearings on the Panama Canal Treaty in the Senate (The Attorney General will testify), magistrates and diversity bills in the House, banking practices, the Canadian-Mexican prisoner treaty legislation in the House, privacy rights in banking and other records, and the Civil Rights Improvement Act (S. 35). The Department has sought White House assistance in postponing the privacy hearings to allow a Departmental Task Force to arrive at a recommended position in conjunction with the total Administration effort on privacy.

The Senate Judiciary Committee unanimously approved the Canadian-Mexican Treaty legislation this week.

9. The Department's weekly report on appointments is attached.

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THE WHITE HOUSE
WASHINGTON
September 19, 1977

Secretary Andrus

The attached was returned in the President's outbox today and is forwarded to you for your information and appropriate handling.

Rick Hutcheson

cc: Tim Kraft

RE: ALASKA LAND SELECTION DECISIONS
WESTERN POLITICS
E.O. ON ENVIRONMENTAL ENHANCE-
MENT



THE SECRETARY OF THE INTERIOR
WASHINGTON

*Cecil
J*

September 16, 1977

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of September 12

Your Alaska land selection decisions were well received by the House Committee and although it wasn't everything they wanted, the environmental community is very pleased. I believe we struck that balance people speak about. *Good*

Western politics are heating up with the 78 elections just around the corner. I believe it is important that you make one or two stops in the West on your way to or from California. *will do*

The Vice President and I are working on strategy for reclaiming a solid posture in the West, and I will be asking for an appointment at your convenience in the near future. *ok*

I have just seen a copy of a proposed Executive Order relating to environmental enhancement that is unnecessary and unwarranted. Your environmental credentials are in excellent shape and there is no reason to give the business community new language to shoot at. *I haven't seen it*

Cecil D. Andrus
CECIL D. ANDRUS

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THE WHITE HOUSE
WASHINGTON

September 19, 1977

Secretary Califano

The attached was returned in the
President's outbox today and is forwarded
to you for your information.

Rick Hutcheson

cc: The First Lady

RE: ST. ELIZABETHS HOSPITAL



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

The following is my weekly report on significant activities in the Department of Health, Education, and Welfare:

- Welfare Reform: On Monday morning, I will testify on your proposal at the opening session of the House special Subcommittee on Welfare Reform. The Subcommittee will hear Administration witnesses for three days, including Ray Marshall and representatives from Agriculture and Treasury. The Subcommittee may conduct hearings in the field, and it will also hear from Members of Congress and the public before Thanksgiving. Chairman Corman continues to believe that a bill can be marked up before Christmas.

On Wednesday, Ray Marshall and I will address a NACO rally that is being organized here in support of your proposal.

- Closed Captioning for the Deaf: Following discussions with members of your staff, I am setting up a conference on closed captioning for television programs for deaf and hearing impaired persons. I have sent a letter to the presidents of the major television networks inviting them to join me and representatives of government, industry, and organizations of the handicapped to meet to devise a plan for clearing away the final obstacles.
- St. Elizabeths Hospital: Yesterday I announced the appointment of Dr. Charles E. Meredith as Superintendent of St. Elizabeths Hospital. Dr. Meredith has been the highly respected Director of the Augusta Mental Health Institute in Maine. I also have appointed a special project manager to coordinate the Department's efforts on St. Elizabeths, and to serve as a liaison between St. Elizabeths, HEW and other Federal agencies, Congress, and the District of Columbia. We have established three joint Department-District task forces to lay the groundwork for eventual D. C. control of an upgraded, accredited facility. We simply must make this institution -- the only mental hospital run by the Federal Government -- the model for, not the shame of, our nation's mental health system.

I agree

- Social Security: Work on the part of the House Ways and Means Subcommittee is well underway, and action by the Senate Finance Committee seems all but complete.

Both committees have adopted a "decoupling" plan (correction of the overindexing in the present benefit formula) that is very close to the one proposed by the Administration. Our plan would have stabilized replacement rates at 1979 levels, whereas the two committees have settled on 1976 rates. This is a good result, considering the fact that there was a lot of pressure, particularly in the Senate, to have very significant reductions occur in future years.

The Senate Finance Committee has tentatively agreed to:

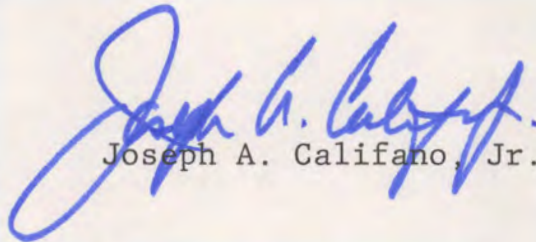
- Raise in 1979 the wage base for employers up to a level of \$100,000. We would have lifted it entirely, but considering the fact that very few workers earn over \$100,000, this result is close enough to meet our basic objective of shifting some of the additional cost of social security to the employer. Most important for the cause of the economy, the Senate has tentatively agreed to make this effective beginning in 1979 -- the same as our proposal. This date is still tentative, and we are keeping our fingers crossed.
- Adopt to the letter our proposal for limited employee wage base increases.
- Adopt a series of small rate increases in the payroll tax, but as things now stand, none of them would take effect before 1981. They were not included in our plan, and are not consistent with your campaign commitment, but they are lower and later than several committee members started out with.

By and large, the above actions, which still have to be added up by the actuaries, would appear to come very close to our own plan and would bring the system into reasonable actuarial balance, both short and long term.

We are still concerned that the Senate has not provided any safeguards to protect social security reserves in the future. It is clear that the Senate Finance Committee will not go along with our general fund counter-cyclical device. All may not be lost, however, because

the Ways and Means Committee is still considering the possibility of including general fund loan authority as a substitute. They have not finished deliberations on any of the financing features except decoupling. We should know the outcome in the House Ways and Means Committee, however, sometime next week.

The Senate Finance Committee has rejected all proposals to cover Federal workers under social security. On the other hand, the House Ways and Means Subcommittee does propose to include Federal workers -- but we doubt that it will survive the House.



Joseph A. Califano, Jr.

THE WHITE HOUSE
WASHINGTON

September 19, 1977

Secretary Califano

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: SENATOR LONG AND H.R. 7200



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

September 17, 1977

*Joe -
See Long
Monday -
I called him
J*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Addendum to Weekly Report on HEW Activities

Since I filed my report last night, there have been three new developments within the Senate Finance Committee on social security. All three are troublesome:

\$1 B:1

- On Monday morning, Senator Long will move to combine his social security financing plan with H.R. 7200. As you know, Long is trying to make H.R. 7200 veto-proof. He may have the votes to pull this off.
- The Senate Finance Committee action will include a tax rate increase in 1979 to finance a liberalization of the social security retirement test that they voted on Friday. Such tax rate increase (about eight-tenths of one percent) breaks the line in our attempt to avoid any tax rates beyond present law before 1981. Labor will almost certainly have problems with this change. We still have a chance to prevail on this point in the House.
- The actuaries have now priced out the Senate Finance Committee's action of Friday for both the short and long term. Because the Committee did not accept our general revenue proposal or our alternative to shift health insurance funds, the Senate Finance Committee's financing plans call for high tax rates in later years: 7.6% in 1990; 8.1% in 1995; 8.5% in 2001; and 8.9% in 2011 and thereafter. Senator Long argues that should economic circumstances later change, these rates could be lowered but that they are necessary now if an actuarial balance is to be achieved for the next 75 years. We still hope to sell the House on some form of general revenue authority (probably loan authority). Without such authority it is unlikely that we could overcome these high out-year tax rates.

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Joseph A. Califano, Jr.
Joseph A. Califano, Jr.

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS

WASHINGTON

20506

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

From: Ambassador Robert S. Strauss

Subject: Weekly Summary

Our discussions in Ottawa this week with Canada on the Tokyo Round and specific bilateral trade problems met with modest accomplishment. About the best that I could say is that we got their attention, and should have formed the base for positive and constructive progress in the near-term future.

As you know, I spoke before the International Industrial Conference, a prestigious international business group primarily composed of "Business Roundtable" types; my remarks stressing the firm commitment of this country to a progressive international trade policy were well received. In private conversations, I think we generated considerable additional support for the Panama Canal Treaty. I will report to you on this subject at a later date.

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

C

September 16, 1977

A large, handwritten signature in dark ink, which appears to be "Bill Clinton", is written across the right side of the page, overlapping the "THROUGH:" and "SUBJECT:" lines.

MEMORANDUM FOR THE PRESIDENT

THROUGH: Jack Watson

SUBJECT: Significant Issues Pending at the
Department of Transportation

INFORMATION

Budget Submission

My Department's 1979 Zero Based Budget request was delivered to OMB yesterday, and I am pleased with both the process and the result. Notably, our departmental growth in staffing has been held to a negligible amount. In terms of dollars, I am requesting \$17,600 million for the general activities of the Department, through FY 1979, as compared with a program ceiling of \$17,100 million established by OMB.

Aircraft Noise

The House Subcommittee on Aviation probably will mark-up the aircraft noise bill next week. My staff is working with both White House and OMB staffs to establish an Administration strategy on this bill. Our success in getting an acceptable bill marked up on aircraft noise will be very helpful in getting the Committee to move on regulatory reform.

Presidential Initiatives on Oil Pollution

On September 12, 1977, I forwarded a report to you on the status of studies, undertaken by the Coast Guard, dealing with programs and techniques for reducing marine oil pollution. This report was required pursuant to your maritime pollution message to Congress on March 17, 1977.

In a related matter, the House passed H.R. 6803, the Super Fund Legislation, and sent it to the Senate. The bill was referred jointly to the Commerce and Public Works Committee. The Commerce Committee has reported it out but there may be some difficulties in Public Works.

Pan Am and Northwest Airlines Equal Employment Compliance

DOT has been involved actively in meetings and negotiations involving the failure of Pan Am and Northwest Airlines to meet contractual affirmative action employment obligations under Executive Order 11246, as amended. DOD and the two airlines have negotiated the terms of new contracts for airlift services and Pan Am's operation of the Eastern Test Range to take effect October 1. The new contracts would be worth about \$250 - \$300 million per year for up to five years for Pan Am and \$20 - \$40 million in the next year for Northwest. To be eligible for new contracts, the companies must be found in compliance with the Executive Order's affirmative action obligations, or as a last resort DOD can decide whether national security requires that the new contracts be awarded notwithstanding the firm's noncompliance. Pan Am has sued the Labor Department and DOT to prevent losing the new contracts, arguing that a hearing must be held before they can be found ineligible for the new contracts. DOT is still engaged in active negotiation with Northwest, but it is unlikely that the fundamental problems with their data system will be resolved in time for the new contract to be awarded. These problems need not cause an interruption in the services covered by the new contracts, since the existing contracts can be extended for as many months as are necessary to find alternative contractors should Pan Am and Northwest not be able to come into compliance. Such a resolution would also put to rest concerns that the 3,700 people employed at the Test Range would be put out of work by October 1.



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

F.Y.I.

September 16, 1977

C

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. TAX REFORM

I am concerned about the urgency of sending the tax reform message to Congress. Our final version of the proposals should reach you very shortly.

2. WITTEVEEN FACILITY

On Wednesday I hosted a breakfast for members of the House Banking Subcommittee on International Trade, to seek support for the U.S. contribution to the proposed Witteveen Facility in the IMF. The authorization bill will be sent to the Congress today, and will be introduced in the House by Congressmen Reuss and Neal. We hope to see the bill reported out of both House and Senate committees before the end of the first session of Congress.

3. URBAN DEVELOPMENT BANK

Treasury's proposal to establish an Urban Development Bank has been discussed in a number of meetings with HUD, Commerce, OMB and the White House Domestic Policy Staff. Its basic elements have been well received; a number of improvements have been made.

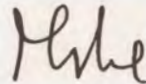
Our revised proposal for an Urban Development Bank should be approved by the Urban and Regional Policy Group and submitted to OMB by October 1. It will be submitted to you in December, together with other recommended components of a comprehensive urban policy.

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4. INTEREST RATES

Last week, the basic money supply (M1) increased by the unexpectedly large amount of \$3 billion. This prompted the Federal Reserve Board to raise the Federal funds rate -- the key barometer of all short-term interest rates -- from 6 percent to 6-1/8 percent. In turn, a few banks raised their prime rates from 7 percent to 7-1/4 percent.

Thursday's announcement of money supply figures was somewhat more encouraging. M1 declined \$800 million, and pressures for future increases in short-term rates eased temporarily. Wall Street generally expects these interest rates to increase gradually, however, during the remainder of the year.



W. Michael Blumenthal

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memo	From Young to The President (1 page) re: Weekly Summary of US Mission to the UN/enclosed in Hutcheson to Cabinet members 9/19/77	9/16/77	A

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

C

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *Charles*
Gus Speth
Marion Edey

SUBJECT: CEQ Weekly Status Report

Environmental Message Interim Report: Our interim report on agency compliance with your Environmental Message directives has been delivered (exclusively) to the Vice President, Stu Eizenstat and Eliot Cutler of OMB. Generally, we found most agencies are making satisfactory progress in fulfilling their assignments. However, there are a few problem areas.

Japanese Minister of Environment: Shintaro Ishihara dropped by and left for delivery to you a letter and film concerning mercury-caused Minamata Disease. He suggested we assist in its prevention in certain regions of Canada where it has recently surfaced. The letter has been forwarded to Rick Hutcheson and the film will follow.

Bowhead Whale: Testified on the adverse international impacts if U.S. files objection to the International Whaling Commission's decision to put a moratorium on subsistence hunting of bowhead whales. Since agencies do not yet agree on this controversial issue, you will probably have to make the final decision. The alternatives are now undergoing NEPA review.

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U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

"FYI"

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, RAY MARSHALL *Ray*

SUBJECT: MAJOR DEPARTMENTAL ACTIVITIES, September 10-16

INTERNATIONAL LABOR ORGANIZATION (ILO)

Both the Chamber of Commerce and the AFL-CIO are unanimous in their view that we ought to withdraw from the ILO. They have also expressed opposition to a one-year extension of our threat to withdraw. Given the firmness of their position on the matter and the tripartite structure of the ILO, I think it would be very difficult for the U.S. Government to continue to participate without the Chamber of Commerce and the AFL-CIO. I will be meeting early next week on the subject with Cyrus Vance, Juanita Kreps, and Zbigniew Brzezinski. The entire Cabinet-Level Committee will meet again in October.

MINIMUM WAGE

The House yesterday passed H.R. 3744, the minimum wage bill, after adopting several amendments. The vote on final passage was 309 to 96.

On a 223 to 193 vote, the House agreed to the Erlenborn amendment, which deleted the Administration-backed indexing provisions in the bill. Instead, the House approved a minimum wage increase to \$2.65 on January 1, 1978; \$2.85 in 1979; and \$3.05 in 1980. The House also accepted, 264 to 161, a Quie amendment to retain the 50% tip credit, rather than reducing it gradually to a flat \$1.00. The Administration had supported this amendment.

By a vote of 210 to 211 the House defeated the Cornell amendment to establish a youth subminimum wage. The Administration had strongly opposed the amendment, which would have allowed

employers to pay workers under age 19 at 85% of the minimum wage for the first six months of employment.

LABOR MANAGEMENT SERVICES ADMINISTRATION

United Mine Workers (UMW)

There has been an important agreement among the UMW, the Bituminous Coal Operators Association, and the trustees of the UMW's Health and Retirement Funds. This agreement has worked out a formula for easing many of the short-term financial difficulties of both Funds. The agreement will eliminate the need for any cuts in benefits for UMW pensioners and any further cuts in health benefits for miners and their families. This agreement will facilitate collective bargaining in the coal industry and lessen the chances of any further wild-cat strikes before the expiration of the coal contract in December. Reports from the coal fields indicates that the miners are back to work and that there is little current sentiment for resuming the wild-cat strikes.

Steelworkers

There is no change in the situation regarding the strike by Steelworker locals against iron ore operators. At present, the economic impact of the strike is still minimal, although this may change if the strike continues into the late fall and winter.

Longshoremen

As you may know, contracts covering the International Longshoremen's Association (ILA) in East and Gulf Coast ports expire on September 30. The parties are continuing to negotiate. There is a distinct possibility of a longshore strike if the pending job and income security issues are not resolved. However, we have had indications from the union that any strike would take the form of a work stoppage aimed at selected container carriers. We will continue to follow the situation.

BLACK UNEMPLOYMENT

My staff in conjunction with Treasury, CEA, and Commerce is continuing a review of this problem and longer-term solutions. As part of the normal economic forecasting and review process, this issue will receive considerable attention.



United States of America
General Services Administration
Washington, D.C. 20405

Administrator

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1977 SEP 16 PM 4 44

September 16, 1977

MEMORANDUM TO THE PRESIDENT

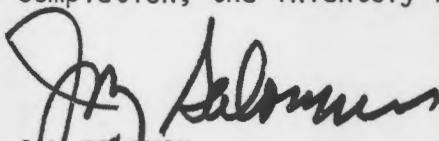
SUBJECT: Weekly Report of GSA Activities

Water Damage at Truman Library

Torrential rains in Kansas City early this week caused serious water damage to the Truman Library. Some objects in the museum were damaged, but it is expected that they can be restored.

Inventory of Nixon Gifts

The inventory of the Nixon head-of-state gifts is proceeding well. Upon completion, the inventory will be forwarded to the State Department.


JAY SOLOMON
Administrator

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United States
Environmental Protection Agency
Washington, D.C. 20460

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The Administrator

September 16, 1977

WEEKLY REPORT TO THE PRESIDENT

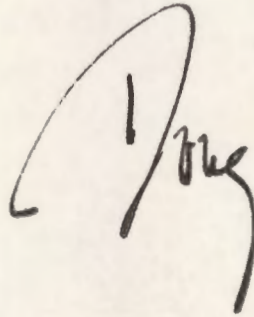
FROM: Douglas M. Costle

1. STEEL. I met privately this week with Lloyd McBride, President of the United Steelworkers, to indicate our concern that the poor economic conditions of the industry not box us into a corner where we are confronting one another. That session was followed by a meeting between my top staff and all of the USW's district directors. The meeting went well. McBride made two key points: (1) The USW will work with the steel industry on imports; and (2) The USW will steer clear of the industry on what he termed "environmental blackmail."

It is clear that despite McBride's support, the industry will try to frighten union members with the threat of shut-downs of marginal plants. In an attempt to mitigate the last minute, panicky atmosphere of a plant closure, we will make available to the USW all available public information on compliance status so that the union has advance warning. The union has indicated interest in using that early warning system to pressure the industry to comply.

2. FUEL ECONOMY. Within the next few days, I will make a public commitment to change the numbers that EPA has been using on its fuel economy tests so that they provide information more consistent with the actual driving experience of the general public. We are currently considering three different approaches to change the numbers used and will determine soon which one we will adopt. Presently published EPA mileage numbers overstate actual on-the-road experience because the tests are conducted under very controlled conditions. The variance between the test results and actual driving experience may frequently be on the order of 15-20 percent. This issue has caused justifiable consumer annoyance.

3. PESTICIDE LEGISLATION. We are pleased with the bill that the House Agriculture subcommittee considering amendments to FIFRA (Federal Insecticide, Fungicide and Rodenticide Act) has reported to the full committee. The subcommittee voted unanimously in our favor on trade secrets and exclusive use of test data. The effect of this is to broaden our ability to publicly disclose health and safety data--a position upon which we took a very strong stand earlier this year.

A handwritten signature in black ink, appearing to be 'J. R. Jones' or similar, written in a cursive style.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 16, 1977

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*

Subject: CEA Weekly Report

In my meeting with you this morning, we discussed those issues that I feel are most in need of your attention. I will not repeat myself here.

CEA continues to be involved in a wide range of other economic policy issues. Other issues on which we are now working:

1. Proposals to deal with the problem of high unemployment among minority youth.
2. Regulatory reform efforts -- including trucking and airline deregulation, financial regulatory reform, OSHA reform, and getting final agency agreement on procedures of an economic review of major regulations.
3. A CEA-led interagency economic forecast, which should be completed within two weeks.

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THE WHITE HOUSE
WASHINGTON

September 20, 1977

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: HUD WEEKLY REPORT

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

*include at least weekends
weekly reports*

confidential

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
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ACTION
FYI

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<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

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THE PRESIDENT HAS SEEN
THE UNDER SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

September 16, 1977

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MEMORANDUM FOR: The President

SUBJECT: Weekly Report of Major Departmental
Activities

The following are brief descriptions of significant activities at the Department of Housing and Urban Development.

HUD Exceeds Fiscal Year 1977 Construction Starts Goal.

As of September 10, HUD Field Offices had reported construction starts on 80,868 units to be assisted under the Section 8 Housing Assistance Payments Program. This total, which exceeds our goal of 80,000 units, includes 70,614 new construction units and 10,254 units being substantially rehabilitated.

Section 202 Application Approvals Announced. The Department announced yesterday that a total of \$637 million has been reserved to finance the construction or rehabilitation of 21,000 housing units for the elderly and handicapped. The funds which are direct loans, will be provided to some 200 private non-profit sponsoring organizations in the United States and Puerto Rico. Applications approved this fiscal year were selected from a total of 1,300 submitted for review. In most cases projects for the elderly were limited to a maximum of 150 units to enable more sponsors to participate and to ensure a broader geographic distribution.

Twenty-seven of the sponsors plan to develop some 50-60 homes for the disabled. These sponsors were required to limit group homes to a maximum of 12 people per home and to scatter the homes throughout their communities to normalize living conditions for disabled people.

HUD Staff Briefed on River City Project. Bertrand Goldberg, prominent Chicago architect, visited the Department to brief our staff on his 3,000-unit River City housing development proposed for construction in the City of Chicago. This innovative project reflects Mr. Goldberg's philosophy that sound architectural design is essential to long-term success. His proposal would provide opportunities for economic and racial integration of housing and would include a full range of community and social services. Mr. Goldberg was also the designer of Marina Towers, the twin 60 story buildings in Chicago which successfully combine high density and high rise living.

Condominium Legislation Status Report. Drafting work on the proposed Uniform Condominium Act is now well underway. HUD

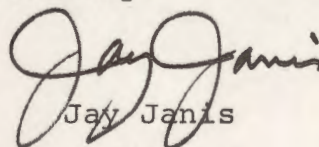
staff is working closely with the Federal Trade Commission, particularly on proposals for handling recreation lease problems, and a first draft of a bill has been sent to the Treasury Department for review, as well.

On Wednesday Departmental representatives met with Congressional staff, including representatives of Senators Stone and Chiles, to discuss several issues remaining and to exchange ideas concerning provisions to be included in the bill.

Disaster Relief Efforts Begin in Missouri. The Federal Disaster Assistance Administration has established a disaster field office in Kansas City, and experienced disaster relief specialists have been sent to Kansas City to assist in relief and recovery efforts. Assessments are underway to determine requirements for Federal assistance. Although we anticipate a considerable demand for temporary housing, we expect that the area will have available housing resources to meet the need.

Urban and Regional Policy Group Meeting with U. S. Conference of Mayors Members. On September 12, ten mayors met at the White House with the Urban and Regional Policy Group. The representatives emphasized their concerns regarding Federal coordination, fiscal stability of local governments, employment and training, national youth initiatives, and other issues.

HUD Celebrates National Hispanic Heritage Week. The Department conducted a full week of activities in support of National Hispanic Heritage Week as part of a determined effort to reverse the image of the Department in the Hispanic community. Our efforts received wide media coverage by the Hispanic press, particularly in New York and Los Angeles, and two of our events were covered by CBS on nationwide TV. The Department also made a 28-minute movie about Hispanics and Housing, which is being shown throughout the country.


Jay Janis

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

8:25 p.m. September 19, 1977

MR. PRESIDENT:

If it is possible for you to read your postal policy memo first, it would be appreciated since OMB is due to testify tomorrow.

Stu Eizenstat

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for Preservation Purposes**

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 13, 1977

MEMORANDUM TO THE PRESIDENT

FROM: CHARLIE SCHULTZE

SUBJECT: The Proposal to Test a National Youth Service

This memorandum is in response to the proposal by Sam Brown of ACTION to test a National Youth Service program by offering a job to every 16-19 year old who is looking for work in five large and five medium cities.

It is very clear that the problem of youth unemployment (especially minority youth unemployment) is extremely serious. The ACTION proposal, however, is premature and needs to be coordinated with other efforts now underway.

1. The proposed demonstration projects under this proposal overlap with a similar project under the Youth Employment and Demonstration Projects Act (YEDPA) that will be under way by January, 1978. The YEDPA project has been carefully conceived and will allow us to evaluate the effectiveness of alternative approaches.
2. It is quite possible that we have reached the saturation point in terms of the potential of PSE to solve structural unemployment problems. During FY 1978 the number of full-year PSE slots under all the various federal programs will increase from 850,000 to 1,260,000, and another major increase is scheduled as a component of welfare reform. It would be a very bad situation if a maze of overlapping programs were forced to compete among themselves for tasks to be performed in local communities.

3. In addition to the need for coordination of PSE programs, we must consider alternative policies designed to alleviate the problem of minority youth unemployment. To this end a report you requested on Issues in Youth Unemployment will be available by October 3. In addition to an analysis of the causes of the problem, the report will contain an inventory of current programs and a set of policy options to increase our efforts in this area.

I recommend that the ACTION proposal be evaluated as part of the October 3 report referred to above.